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SUBJECT: SANTO DOMINGO ECONOMIC-POLITICAL ROUNDUP, JUNE 23, 2009

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[1](#)1. (U) GODR Announces Sale of 49 percent of Government-owned Refinery to Venezuela

The GoDR announced at the Petrocaribe Summit that Venezuela has agreed to purchase 49 percent of the capital of Refineria Dominicana, S.A. (Refidomsa), the country's sole oil refinery, for USD 130 million. Refidomsa was a joint venture with Shell until the GoDR bought out Shell's stake in the company in November 2008 for USD 110 million. Although the government cited strategic national interests in consolidating state ownership of the 30,000 barrel-per-day facility, the Fernandez administration simultaneously urged Venezuela to participate in the acquisition. In addition to the USD 20 million profit from the sale, the GoDR has cited the possibility of increasing the amount of Venezuelan crude it imports under the Petrocaribe financing program as justification for the sale. The Refinery would have to expand its volume capacity before it could increase imports. Dominican business and opposition leaders have been largely critical of the deal, noting that it may subject the local hydrocarbon supply to increased dependence on a single provider as well as the political whims of the Chavez administration. Other commentators say that with Refidomsa providing less than one-third of finished oil products consumed in the country, these fears may be exaggerated. More details may emerge later this month as Chavez has announced he will visit the Dominican Republic on June 30 (to participate in events commemorating the 100th anniversary of Juan Bosch's birth). However, Chavez has said he would visit before and has not done so.

[1](#)2. (U) Government Revenue Falls Sharply in First Quarter; Fernandez Rules Out IMF Program For Now

In May, the GODR released official fiscal results for the first time since October 2008. Data from the general tax office indicate that government revenue and spending were down sharply in January-March. Current revenue dropped 18.3 percent year on year, with earnings from taxes down 17 percent. Income from customs led the fall in tax revenue. Total spending was down 18.1 percent year on year in the

first quarter, although employee wages were up 21.6 percent. The dramatic decrease in capital spending, 58.4 percent year on year, has been widely criticized by the private sector. According to the Dominican Center for Export and Investment, exports decreased by 23.4 percent in the first quarter, due in large part to the closing of the ferronickel mine in August 2008. As a result of the decrease in revenues, the GODR continues to seek other financing options. On June 10, the Minister of Finance announced that the government would issue a USD 1 billion sovereign bond with half of that amount going toward government expenses and the other half to be used as a cushion for unforeseen circumstances. A week after the Central Bank Governor and Minister for Economy, Development and Planning called for an IMF agreement, President Fernandez ruled it out at this time. However he left the door open for the future if it is needed.

13. (U) Caribair Suspension Lifted

On June 12, the Dominican Civil Aviation Institute (IDAC) announced that it had rescinded the one-year suspension of Caribair less than five months after it sanctioned the airline for safety violations. The original suspension cancelled all Caribair pilot and aircraft certifications but allowed the airline to begin flying within nine months if its pilots and aircraft were recertified. Explaining the change of course, IDAC director Jose Tomas Perez said only that Caribair had begun to satisfactorily complete its recertification. The lifting of the sanction allows Caribair limited operations; Caribair can fly using only recertified equipment and personnel. Just two of its six aircraft and two of its 23 pilots have been recertified. Also, Caribair

may not register new aircrafts and cannot operate outside of the Caribbean region. Caribair advertisements in numerous daily newspapers announced that the airline would resume its normal routes and schedules to Port Au Prince and Aruba as well as provide charter service throughout the Caribbean and South America. A Caribair telephone receptionist also told EconOff that the airline would provide charter service to New York.

14. (U) Protests Over Plans to Build Cement Plant Near National Park

Environmental groups and their allies continue to put pressure on the GoDR to permanently rescind permits it granted to a cement company to install a cement mine near the Los Haitises National Park. The production facility would be located in Gonzalo, Monte Plata, just outside the buffer zone of the park. Protests organized by environmental NGOs and student groups, and supported by opposition groups such as the country's influential transportation union, have taken place in Gonzalo, Santiago and Santo Domingo. In Santo Domingo, riot police broke up hundreds of marchers en route to the Presidential Palace. Although the Ministry of Environment and Natural Resources (SEMARENA) approved the company's environmental permit on April 14, some officials from SEMARENA have spoken out against the decision. The protestors have been particularly critical of Environmental Minister Jaime David Fernandez Mirabal, who had previously enjoyed vast popularity among environmentalists for boosting enforcement of local environmental laws. The protestors have accused the company, Consorcio Minero Dominicano, and the government of colluding to facilitate the project. The project's defenders cite the jobs it will create in this poor region of the country and accuse other cement producers of financing the vocal opposition. On June 19, a civil court judge provisionally suspended the cement factory's permits while she studies the case.

BULLEN